

STATEMENT OF:
LEA ANN CHAMPION
SENIOR EXECUTIVE VICE PRESIDENT – IP OPERATIONS AND SERVICES
SBC COMMUNICATIONS INC.
BEFORE THE ENERGY AND COMMERCE COMMITTEE OF THE
UNITED STATES HOUSE OF REPRESENTATIVES
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Good morning. Thank you, Chairman Barton, and Members of the Committee for offering me the opportunity to speak with you today. My name is Lea Ann Champion, Senior Executive Vice President – IP Operations and Services for SBC Communications Inc.

It is a pleasure to be here to talk about the seismic shifts that are reshaping the communications and entertainment industries and how SBC is building a powerful new Internet Protocol platform to meet customers' needs. Customers today want to have choice. They want to control their communications and entertainment experience. They want to communicate, gather information and enjoy entertainment when they want it, how they want it and on which device they want it.

That's why it is important for us to invest in new technologies. It is not enough to repackage the same old stuff. We must bring a new level of integration and functionality to our customers.

We'll do that by using Internet Protocol or IP-based services. The simple elegance of IP technology is that it allows various broadband applications to communicate and work together to enhance the capabilities of otherwise separate services. This is because, with IP, the digital bits all look the same whether they are carrying video, voice, music, photos, high-speed Internet access, or wireless services...no matter the device.

Through Project Lightspeed, we plan to invest \$4 billion over the next three years in our network, operations, customer care and IT infrastructure. Working with companies such as Alcatel and Scientific-Atlanta, we will deploy a two-way, interactive, switched IP video network and extend approximately 40,000 miles of new fiber optics. In existing neighborhoods across our 13 states, we will extend fiber to within an average of 3,000 feet of the home. In most new developments, we plan to take fiber all the way to the premises. This initial deployment will reach more customers – 18 million households – faster than any other company with a fiber deployment plan in the United States.

Our plan is to deliver a single IP network connection providing high-quality TV viewing, super high-speed Internet access and integrated digital voice services. Let me show you some of these new features that will be available in the initial or later stages of the product (DEMO):

- Customers will be able to scroll through and preview other channels in a picture-in-picture guide– without leaving the channel they are watching.

- Customers will be able to enjoy the customized content of their SBC Yahoo! service on their TV screens, such as personalized sports, weather and stock information.
- Through IPTV technology, our whole-home DVR – digital video recorder – goes beyond what standard DVRs do today. You can record a program in one room, and watch it on any TV in the house.
- With IP-based picture-in-picture technology the entertainment experience will move from passive TV viewing to an interactive one. I'd like to show you an example, courtesy of our friends at Major League Baseball and Microsoft. Today, you watch baseball like this – one game with a few stats. Here's how you'll watch it with IPTV. With this new TV viewing experience...watching sports will never be the same.
- The IP-based platform will allow customers to access and program services when they are away from home. As an example, customers may use their Cingular phone to access a list of shows, watch a commercial for the show right on the phone's screen, and schedule to record it. The customer will see the notification that the program is set to record in two places: on the wireless phone and on the DVR guide at home.

(END DEMO)

There are other applications in development – using our ability to deliver on-demand data – that will deliver a better TV experience.

- With our IP platform, customers will have instant access to the program they select – eliminating the annoying delay experienced with today’s current services
- And IPTV allows for new levels of interactivity. Say you’re watching a commercial with a cliffhanger ending; instead of going to a Web site, you can press a button for more information about what comes next. Or, if you’re viewing a talk show and want to order the “book of the month” just discussed, you can order it through your TV.

So, we’re building very aggressively to reach half our customer homes in three years with this new IP network – but we’re not stopping there. We are also creating another integrated solution to compete for customers in the video space. Through a joint venture with 2Wire, a Silicon Valley-based company, we will integrate satellite video with our high-speed Internet access service through a combination set-top box, available to a majority of our customers later this year.

The service will allow various capabilities to work together. For example, via SBC Yahoo! DSL, Internet-based entertainment services can be downloaded and viewed. Customers will be able to use their stereo system to listen to music stored on their PCs. And, customers will be able to view digital photos stored on the set-top box or saved on a networked PC right on their TV screens. As with IPTV, customers can even control their entertainment experience while away from home. They may remotely program their set-top box to record a show, change parental controls, download movies, and access their photos and personal music collection.

With these two video initiatives, we plan to bring a new level of interactivity and integration to consumers.

With Project Lightspeed, we have decided to put billions of dollars of private investment at risk. We can move forward with greater confidence due to the progress made in the public policy and regulatory arenas. The FCC and Congress have so far employed a light-touch approach to regulating the Internet and IP-based services, and we applaud you for these forward-thinking efforts. We need to extend this minimal regulation approach applied to VoIP – only now the “V” stands for video.

SBC will be a new entrant in the video space, providing a competitive alternative to incumbent cable operators – and we intend to move quickly. Public policy should reduce any roadblocks and unnecessary rules to encourage new entry into the video services market. In particular, new entrants should not be saddled with the legacy regulation applicable to incumbent providers. Only then will consumers benefit from the innovation and choice that is just around the corner.

Again, thank you for the opportunity to be here today. I would be happy to answer any questions you have.

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